



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 7/17/2006

GAIN Report Number: AS6045

Australia

Citrus

Update

2006

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Report Highlights:

Australian fresh orange production is forecast to fall sharply in 2006/07 to 450 TMT. At least two significant frost events perpetuated by some of the coldest and driest conditions on record have sharply reduced Australian citrus production, particularly Navel oranges. It is too early in the production cycle to confirm whether these conditions may also affect Valencia production and associated orange juice production.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Canberra [AS1]
[AS]

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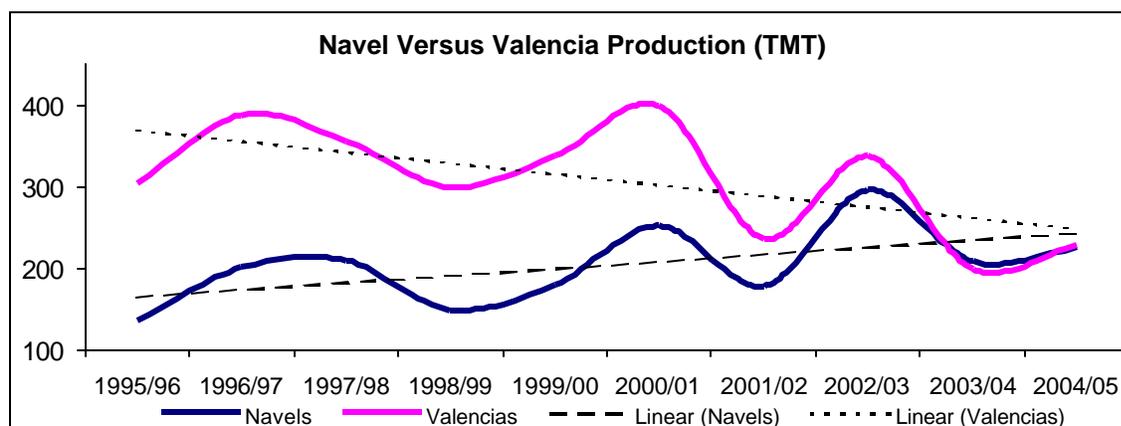
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SECTION ONE: SITUATION AND OUTLOOK

General

The Australian citrus industry produces Navel and Valencia oranges, which combined produce around 500 to 550 TMT annually. The Australian citrus industry also produces mandarins (100 TMT), lemons and limes (35 TMT) and grape fruit (12 TMT). These figures fluctuate significantly from season to season.

Over the past decade there has been a declining trend in Valencia production in favor of Navel oranges. Improved marketing opportunities for Navel oranges, including export, have seen growers remove older Valencia trees and replant to Navels. Increased imports of lower priced orange juice have also reduced returns from Valencia oranges, commonly sold for juice.



Valencia oranges are typically harvested from October through to March. Navel oranges are usually harvested from June through to October and as a result are susceptible to frost damage during harvest. Mandarins and lemons are also harvested from June through to October.

Weather Conditions

The majority of Australian continent has experienced prolonged drought conditions, which began in 2002/03. The first half of 2005/06 saw a resumption of normal weather conditions, which reverted to drought conditions in the last quarter (April, May and June in 2006).

The Australian Bureau of Meteorology recently reported that June 2006 recorded "some of the coldest and driest" conditions for decades. South Eastern Australia, which accounts for the overwhelming majority of Australian citrus production, experienced the coldest month on record (since 1950) while the period April to June was the fourth driest on record.

The cold and dry conditions ultimately led to frost events in mid June (15th and 16th), which are believed to have had a significant impact on citrus production for 2005/06. These frost events have reportedly affected production in the majority of production areas in South Eastern Australia including the South Australian Riverland, Murray Valley and Riverina.

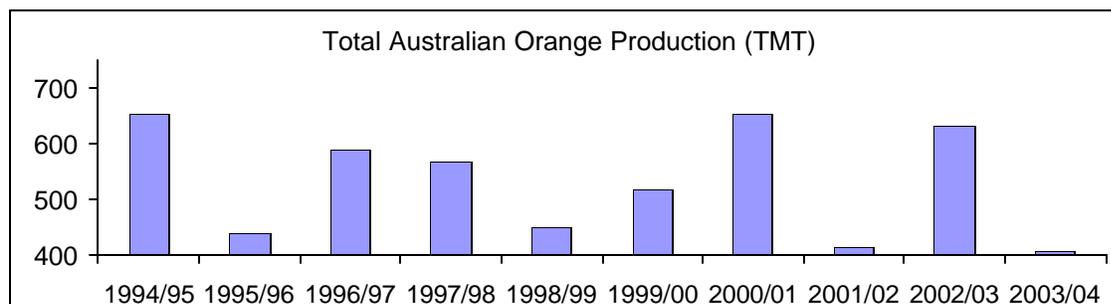
Production

Australian citrus production (Navel and Valencia oranges) in 2006/07 is forecast at 450 TMT, well below previous expectations of just over 500 TMT. Severe frost events, which occurred in the first half of the Navel harvest (June 2006) is believed to have caused a sharp decline in production. Industry sources report that it is too early to determine exactly how much production has been lost due to this extreme weather event.

The Navel harvest, which was previously forecast to yield around 281 TMT in 2005/06, has been slashed by around 20 percent and is now expected to yield around 225 TMT. Some sources believe production could even fall lower although it remains too early say.

Valencia production in 2006/07 is currently forecast at around 227 TMT, in line with earlier industry forecasts. The harvest, which is not due to commence until October and runs through to February, may also be affected by this frost. Some industry sources believe that the effect on Valencia's could be worse due to the relatively smaller sized immature fruit and associated lower sugar content (at the time of the frost event) although it is not possible to say at this early stage in the production cycle. Post will likely update Valencia production in its Citrus Annual report due in November 2006.

Estimated production in 2005/06 has been revised downwards slightly to 547 TMT, in line with industry figures. Production of Navel oranges is estimated at 267 TMT and production of Valencia oranges is estimated at 280 TMT, in line with industry estimates. This is considered an average size crop, according to historical Australian Government data.



Crop Quality

The physical impact of frost on citrus fruit can be devastating. The effect of freezing the fruit ruptures the membrane inside the orange and causes it to deteriorate prematurely. In other cases it may cause the orange to "dry up".

Frost does not affect a citrus crop uniformly. In any given frost event, large variations in damage are experienced between districts, orchards and even between oranges harvested off the same tree. The variation depends on the elevation of the individual orange on the tree; the sugar content of the fruit; the elevation of the tree itself; density of foliage on the tree and cultural practices such as irrigation techniques.

The affect of frost damage on the Australian citrus crop has yet to be accurately determined. Industry leaders are currently concentrating their efforts on not allowing frost-affected fruit to enter the supply chain, and so are counting the cost only in terms of lost production. However, despite the efforts made by industry, exporters and retailers remain concerned of the potential for frost-affected fruit to enter the supply chain.

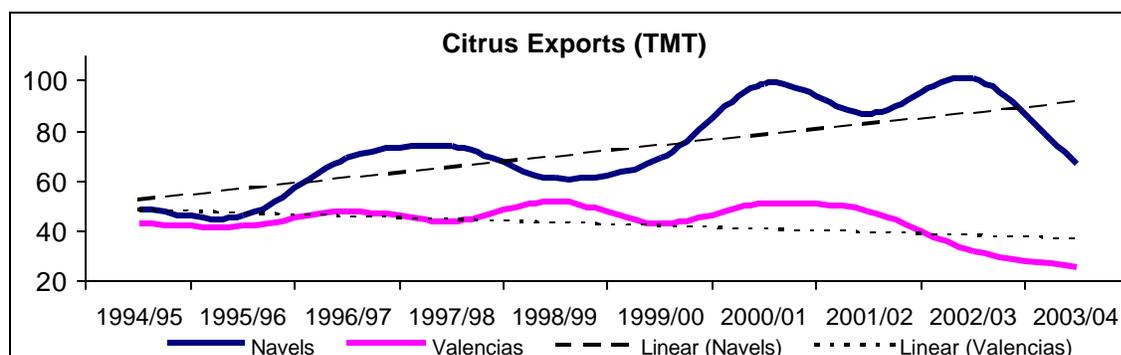
Existing training activities and materials are being used to assist producers in determining fruit unsuitable for harvest. Citrus packers have actively encouraged producers not to harvest fruit they feel may be affected. Where possible, harvest has actually been halted with the delay expected to assist pickers in determining frost-affected fruit.

Packers have also indicated that fruit that was unaffected by frost may also be subject to other conventional deterioration such as scarring from insect pressure, although some packers believe these more commonly occurring problems to be no worse than average.

Exports

Exports of Australian citrus (Navels and Valencias) in 2006/07 are forecast at 75 TMT, down sharply on the 131 TMT estimated for the previous year. A sharp reduction in the supply of Navel oranges suitable for export, due to frost events, is likely to see exports fall sharply in 2006/07. Navel oranges make up the vast majority of orange exports and the Navel harvest has a large impact on the level of oranges exported from Australia.

Exports for 2005/06 are estimated at 131 TMT (year ending March 2006), in line with official Australian Bureau of Statistics figures. The United States remains Australia's largest market receiving 26,535 MT, slightly above Hong Kong, which received 24,582 MT. Exports to the United States however, were valued at over twice that of exports to Hong Kong. Exports to Malaysia stood at 21,568 MT while exports to Japan and Singapore are estimated at 9,796 MT and 10,197 MT respectively.



Processing

Oranges delivered for processing in 2006/07 are forecast at 180 TMT, down on the 220 TMT estimated for the previous year. Post forecasts juice production to be around 13,846 MT, using a conversion factor of 13 to convert deliveries to juice production.

Post expects lower navel production in 2006/07 to result in lower domestic availability of oranges for fresh consumption. Under these market conditions Post would expect to see a higher level of Valencias consumed as fresh oranges on the domestic market, lowering the availability of Valencias for processing domestically.

Market Access

The government of Australia has recently negotiated access to the Chinese market for Australian citrus. This negotiation included a field visit by Chinese quarantine officials in March 2006 which concluded with the confirmation of correct management procedure and pest mitigation practices.

The Australian citrus industry hopes to ship citrus to China during this harvest and is currently formulating a strategy with its business partners. Industry sources remain skeptical of the success of such exports in the first year as sharply reduced availability of suitable fruit will likely constrain new market development in 2006/07.

SECTION TWO: STATISTICAL TABLES

PSD Table							
Oranges, Fresh							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		04/2004		04/2005		04/2006	MM/YYYY
Area Planted	32000	32000	32000	32000	0	32000	(HECTARES)
Area Harvested	27000	27000	27000	27000	0	27000	(HECTARES)
Bearing Trees	6026	6026	6045	6045	0	6060	(1000 TREES)
Non-Bearing Trees	1124	1124	1130	1130	0	1150	(1000 TREES)
TOTAL No. Of Trees	7150	7150	7175	7175	0	7210	(1000 TREES)
Production	461	453	500	547	0	450	(1000 MT)
Imports	13	12	10	13	0	15	(1000 MT)
TOTAL SUPPLY	474	465	510	560	0	465	(1000 MT)
Exports	98	106	110	131	0	75	(1000 MT)
Fresh Dom. Consumption	176	169	190	209	0	210	(1000 MT)
Processing	200	190	210	220	0	180	(1000 MT)
TOTAL DISTRIBUTION	474	465	510	560	0	465	(1000 MT)

PSD Table							
Orange Juice							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		07/2004		07/2005		07/2006	MM/YYYY
Deliv. To Processors	200000	190000	210000	220000	0	180000	(MT)
Beginning Stocks	1585	1585	1331	7482	1384	2739	(MT)
Production	15384	14615	16153	16923	0	13846	(MT)
Imports	31362	42533	31000	29500	0	35000	(MT)
TOTAL SUPPLY	48331	58733	48484	53905	1384	51585	(MT)
Exports	2000	2251	2100	2166	0	1800	(MT)
Domestic Consumption	45000	49000	45000	49000	0	47000	(MT)
Ending Stocks	1331	7482	1384	2739	0	2785	(MT)
TOTAL DISTRIBUTION	48331	58733	48484	53905	0	51585	(MT)

Recent Reports from FAS/Canberra

The reports listed below can all be downloaded from the FAS website at:
<http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp>.

Report Number	Title of Report	Date
6030	Review of Permitted Seeds List for Australia	05/19/06
6031	Ag Down Under Vol. 8	05/19/06
6032	Dairy Semi Annual	05/30/06
6033	Wheat Australia sells 350,000 MT to Iraq	05/31/06
6034	Ag Down Under Vol. 9	06/02/06
6035	Australia Actively Pursuing FTAs	06/07/06
6036	Wine Annual	06/08/06
6037	Sugar Smut Outbreak in Queensland	06/20/06
6038	Ag Down Under Vol. 10	06/23/06
6039	Agricultural Biotechnology Annual	06/28/06
6040	Worst Frost in 20 Years Affects Australian Citrus Production	06/27/06
6041	Poultry Meat IRA Released	06/28/06
6042	Australian FTA with Gulf States	06/30/06